



LGIP QUARTERLY MEETING & CONFERENCE CALL

01.30.2014

OFFICE OF THE ARIZONA STATE TREASURER



AGENDA

- **LGIP Performance**
- **Endowment Performance and Distributions**
- **State Cash Flow**
- **Guest Presentation: Joseph P. Quinlan,
Managing Director & Chief Market Strategist
for U.S. Trust, Bank of America Private
Wealth Management**
- **Q & A**



INVESTMENT PHILOSOPHY

SAFETY

before

LIQUIDITY

before

YIELD



EARNINGS YTD FY 2014

\$66,115,459



LOWER MANAGEMENT FEES

Starting August 1, 2013, all management fees are reduced 8.3% from 6 basis points to 5.5 basis points.





LGIP PERFORMANCE

Q2 FY2014

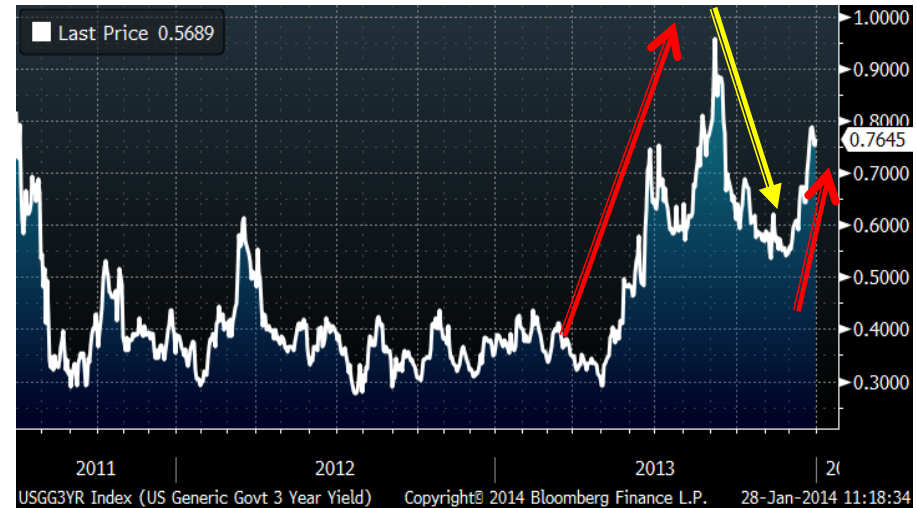


YIELDS: JULY 1, 2011 – Dec. 31, 2013

UST 2-Year Note



UST 3-Year Note



UST 5-Year Note



UST 10-Year Note



POOL 5

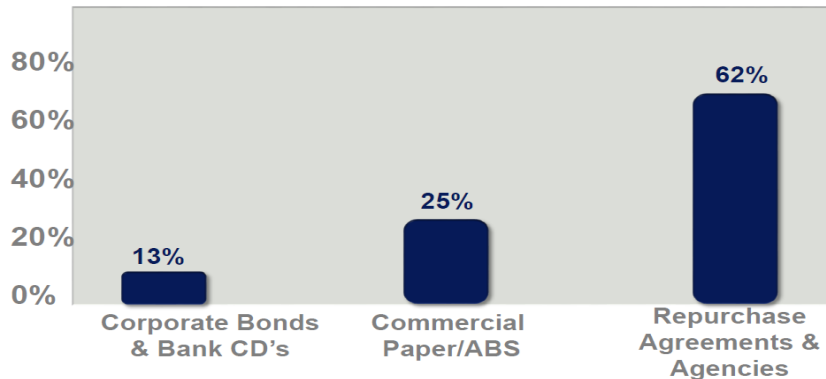
- \$1.41 Billion Assets as of 12/31/2013
- Net Asset Value - \$1.000 12/31/2013
- Diversified investments weighted to highly rated Commercial Paper, Repurchase Agreements, and Agency/Treasuries
- Overnight repo rates continue to be extremely low and as a result allocation to commercial paper has increased. Will continue to add more short corporate bonds and asset-backed securities
- Keep daily liquidity in the 10-30% range
- Maintained the highest rating possible from S&P

Liquidity

Weighted Average Maturity: 34 days on 12/31/2013

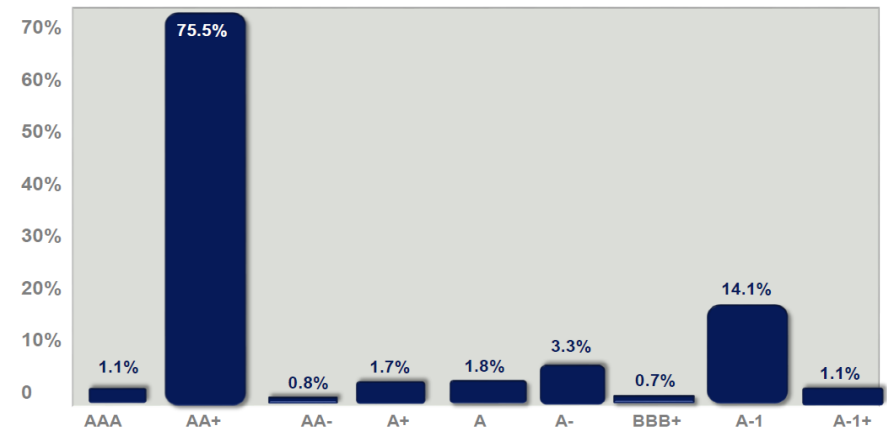
DURATION: 100% from 0-1 yrs.

ASSET MIX:



Safety

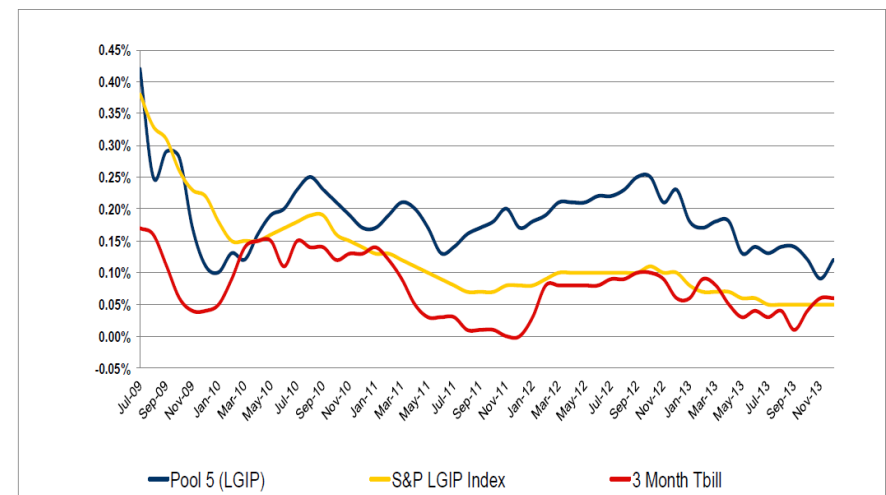
Continues to receive highest rating from Standard & Poor's: AAAf/S1+



Yield

.12% FYTD

.05% FYTD (S&P LGIP Index)



POOL 7

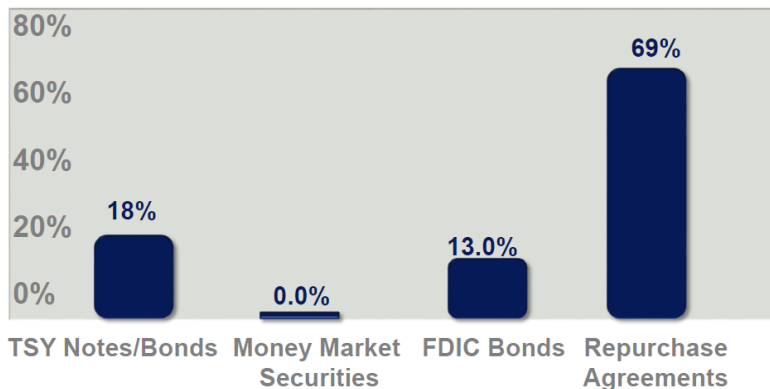
- \$1 billion Assets as of 12/31/2013
- Net Asset Value - \$ 1.000 12/31/2013
- Overnight repo rates continue to be very low this quarter.
- Looking to ladder treasuries/repo and other full faith and credit products up to 13 month horizon. Planning to purchase new Treasury floaters to add yield.
- WAM will remain short and stay under 90 days to minimize interest rate risk.

Liquidity

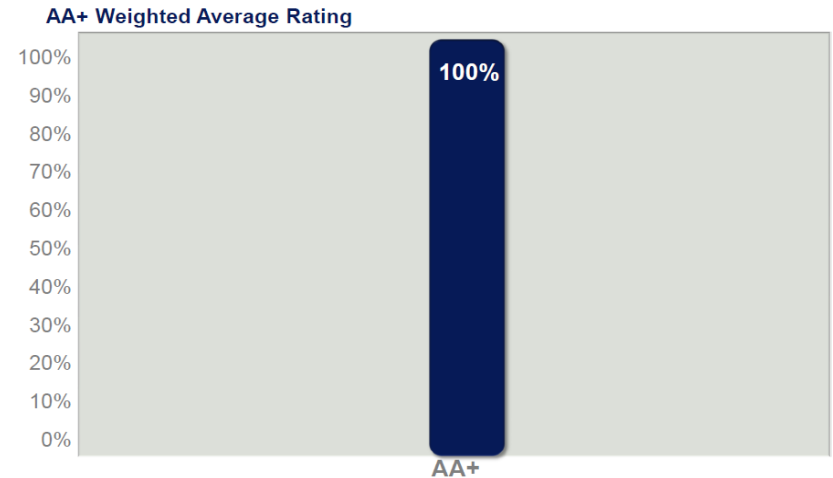
Weighted Average Maturity: 53 days on 12/31/2013

DURATION: 100% from 0-1 yrs.

ASSET MIX:



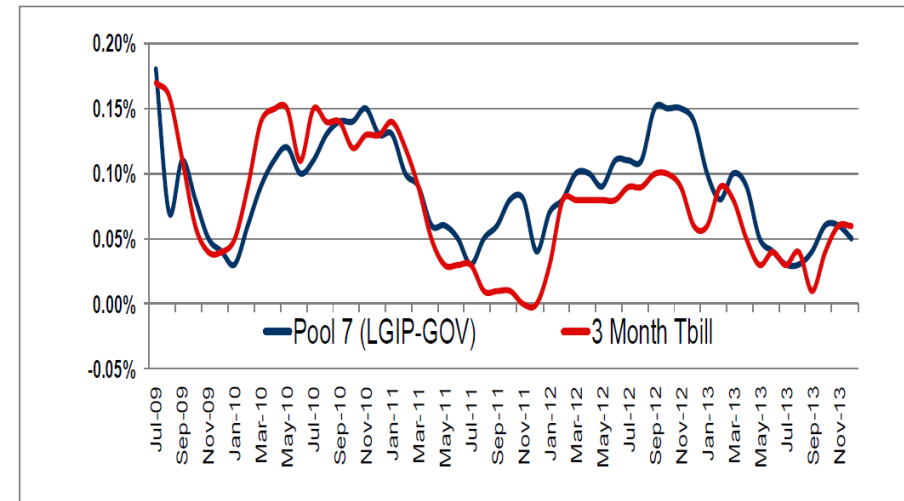
Safety



Yield

.05% FYTD

.04% FYTD (90 DAY T BILL)



POOL 500

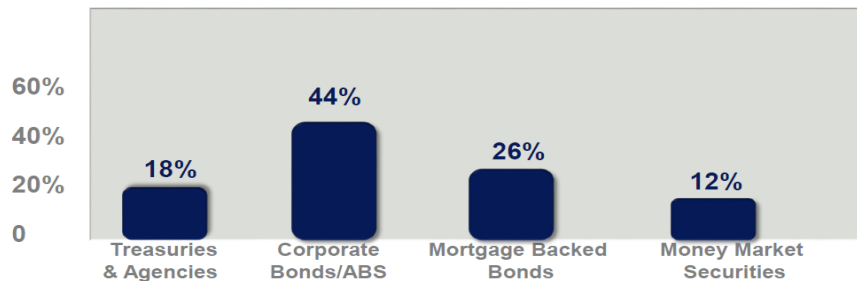
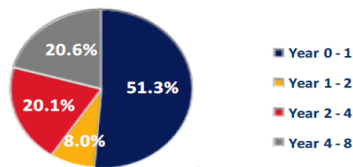
- \$289.4 million in assets as of 12/31/2013
- Floating Net Asset Value - \$1.0265 12/31/2013
- Will continue to invest in assets that provide a prudent diversification that takes advantage of prevailing market opportunities
- Keep maximum exposure to any credit below 2.5%
- Continue to target duration at one year less than the benchmark with 10% to 30% of the fund in liquid short term securities

Liquidity

Effective Duration: 1.82 years on 12/31/2013

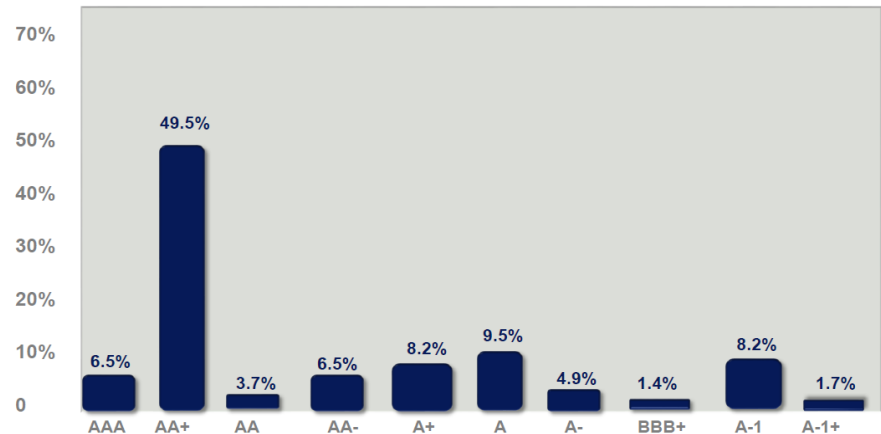
DURATION:

ASSET MIX:



Safety

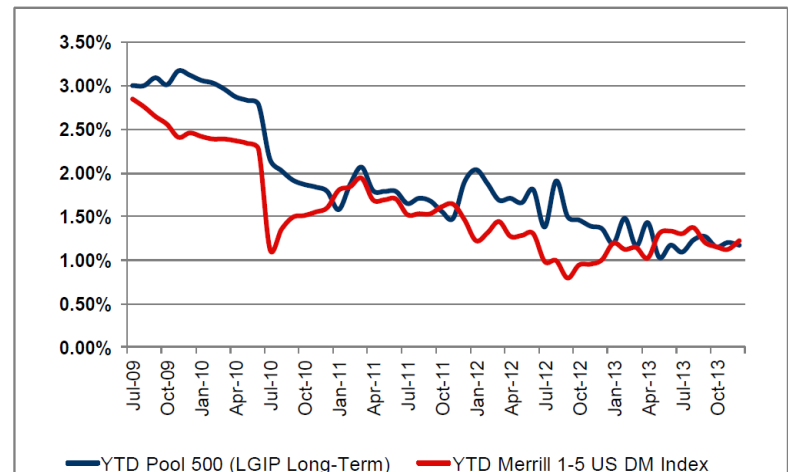
AA Weighted Average Rating



Yield

1.19% FYTD

1.23% FYTD (Index)



POOL 700

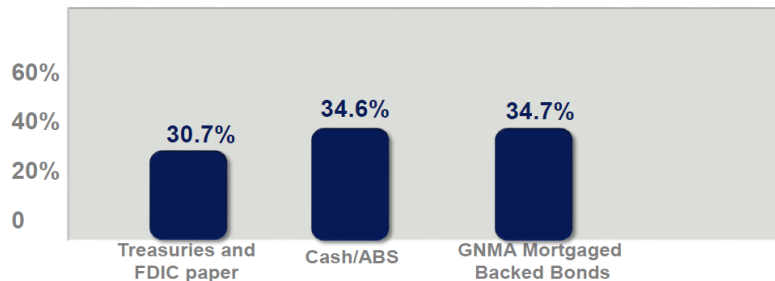
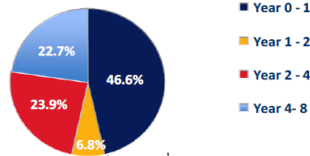
- \$228.6 million in assets as of 12/31/2013
- Floating Net Asset Value - \$.9970 12/31/2013
- Strategy is to invest in a mix of 1-5 year US Treasuries, GNMA Mortgages and FDIC Paper
- All securities backed by US Government
- Continue to target duration at one year less than the benchmark. GNMA mortgage backed securities will continue to be overweight the index as there is not a lot of options for full faith and credit bonds and prepayments have slowed with rising rates.

Liquidity

Effective Duration: 2.02 years on 12/31/2013

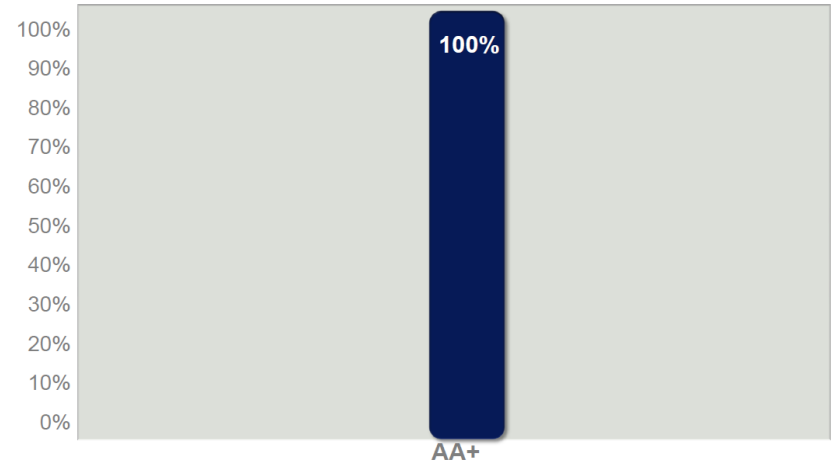
DURATION:

ASSET MIX:



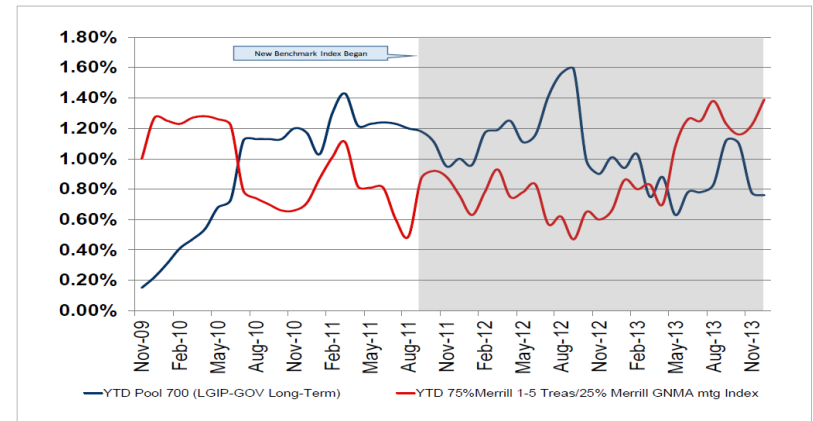
Safety

AA+ Weighted Average Rating



Yield

.90% FYTD 1.27% FYTD (Index)





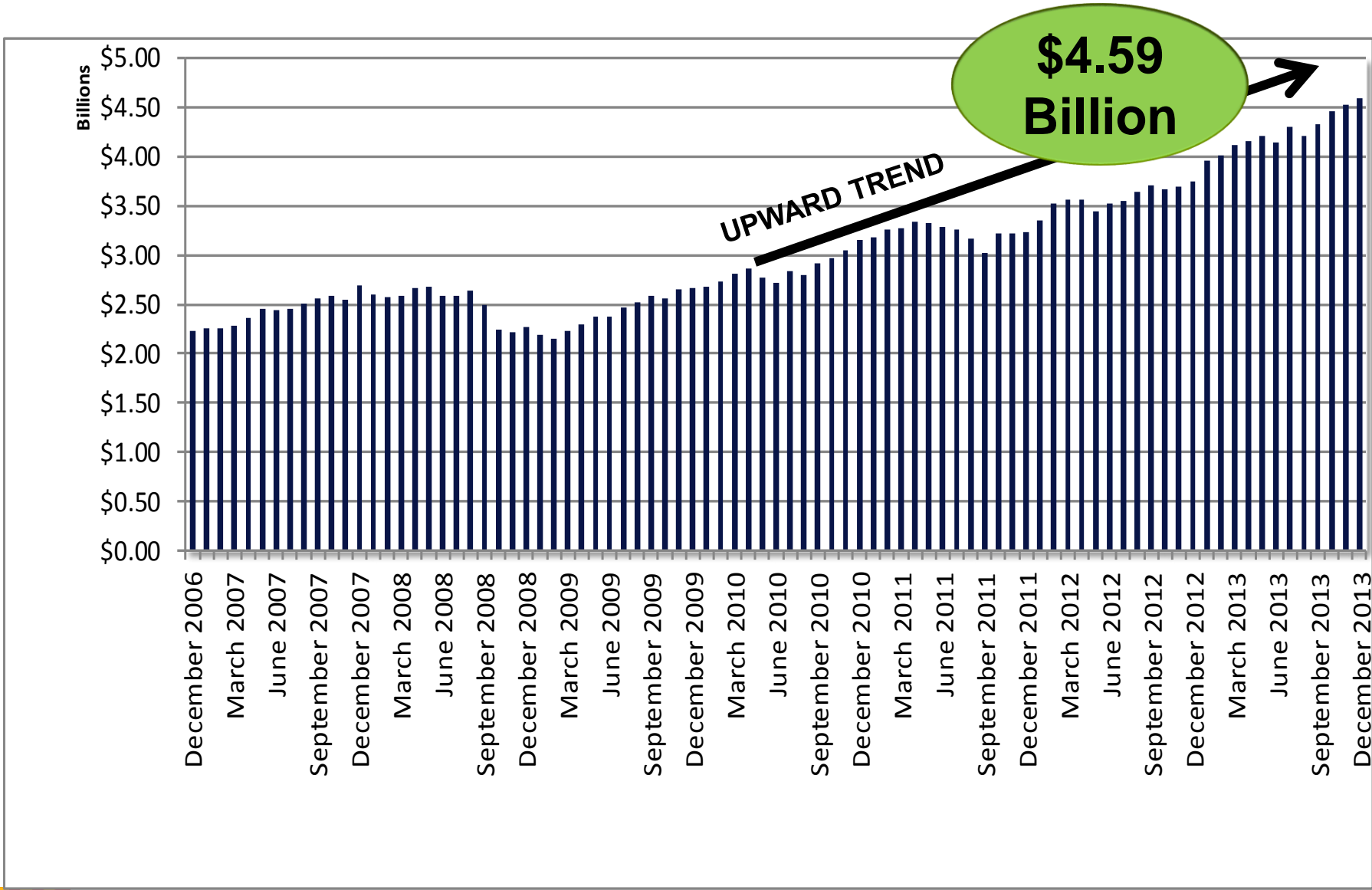
ENDOWMENT PERFORMANCE

Q2 FY2014

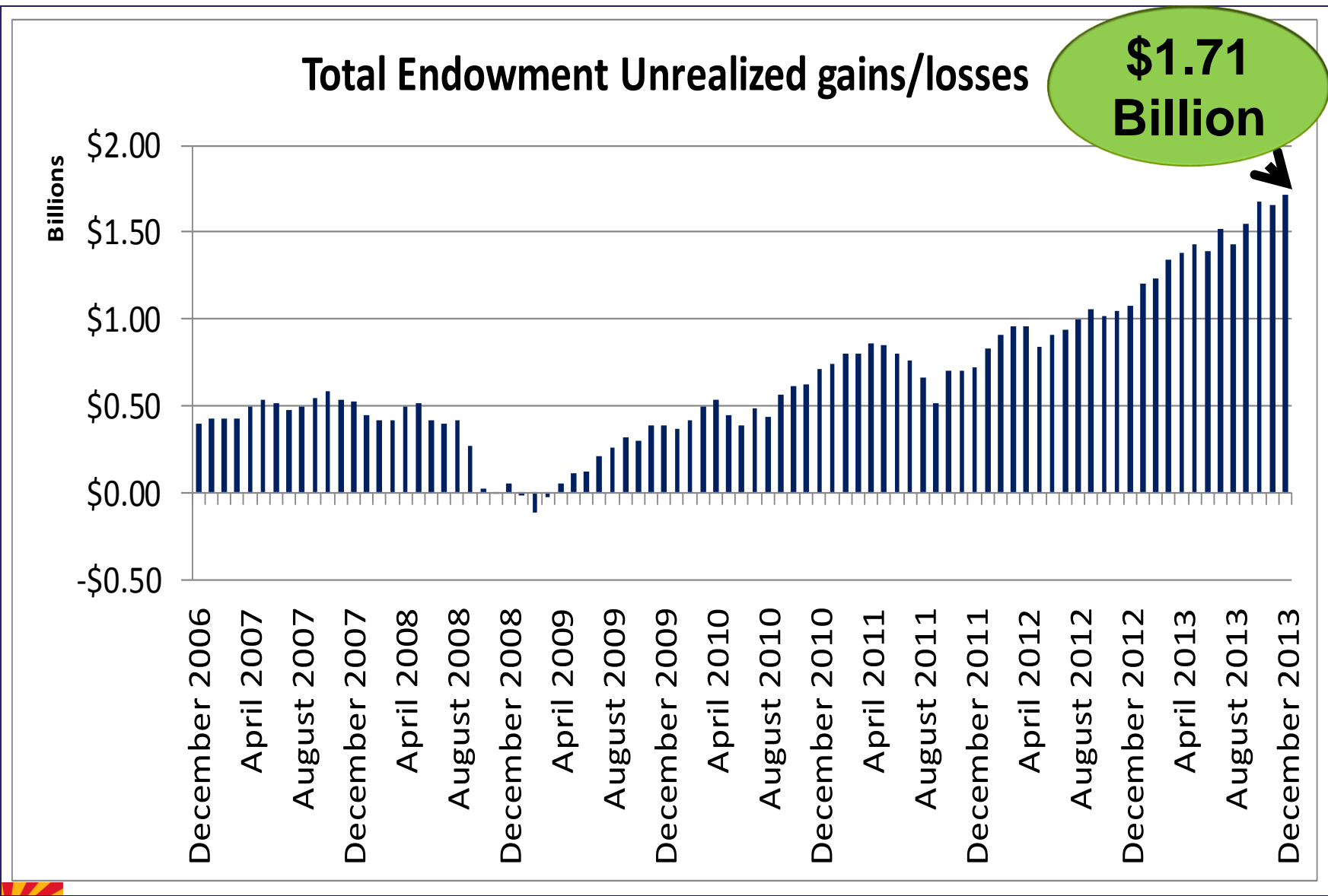
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ENDOWMENT MARKET VALUE

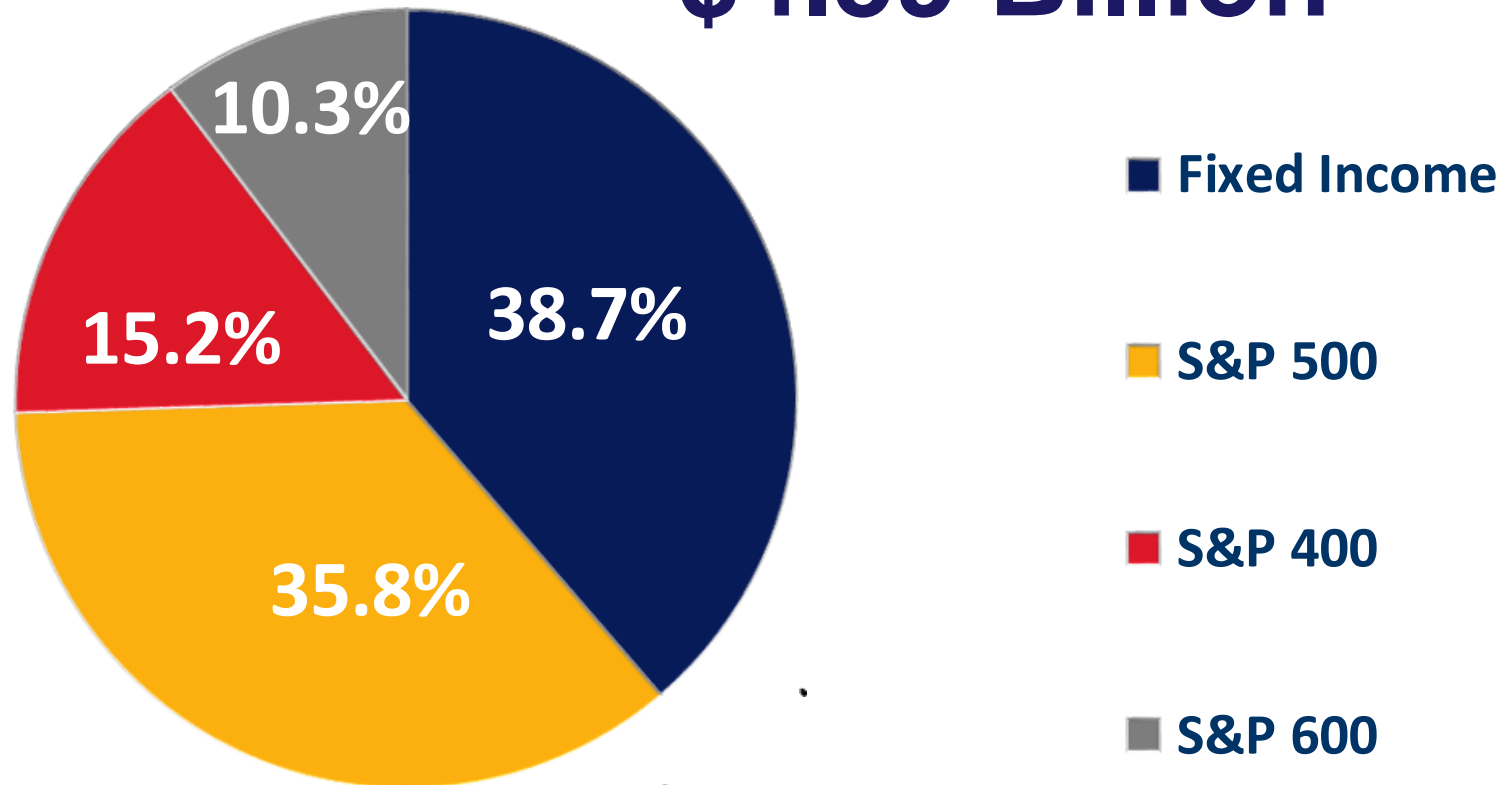


ENDOWMENT UNREALIZED GAINS



ENDOWMENT ASSET ALLOCATION

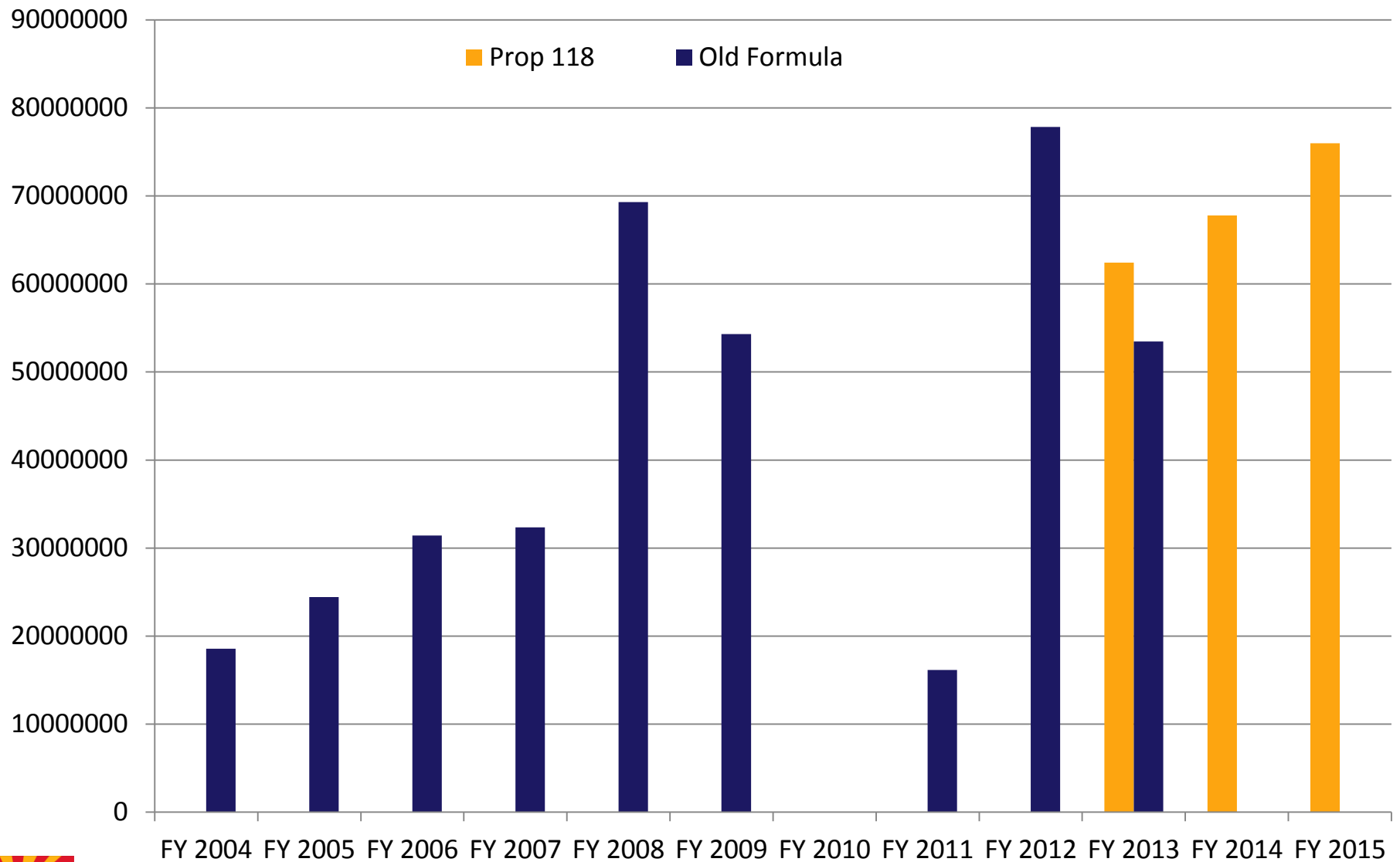
\$4.59 Billion



As of 12/31/2013



K-12 DISTRIBUTIONS





STATE CASH FLOW

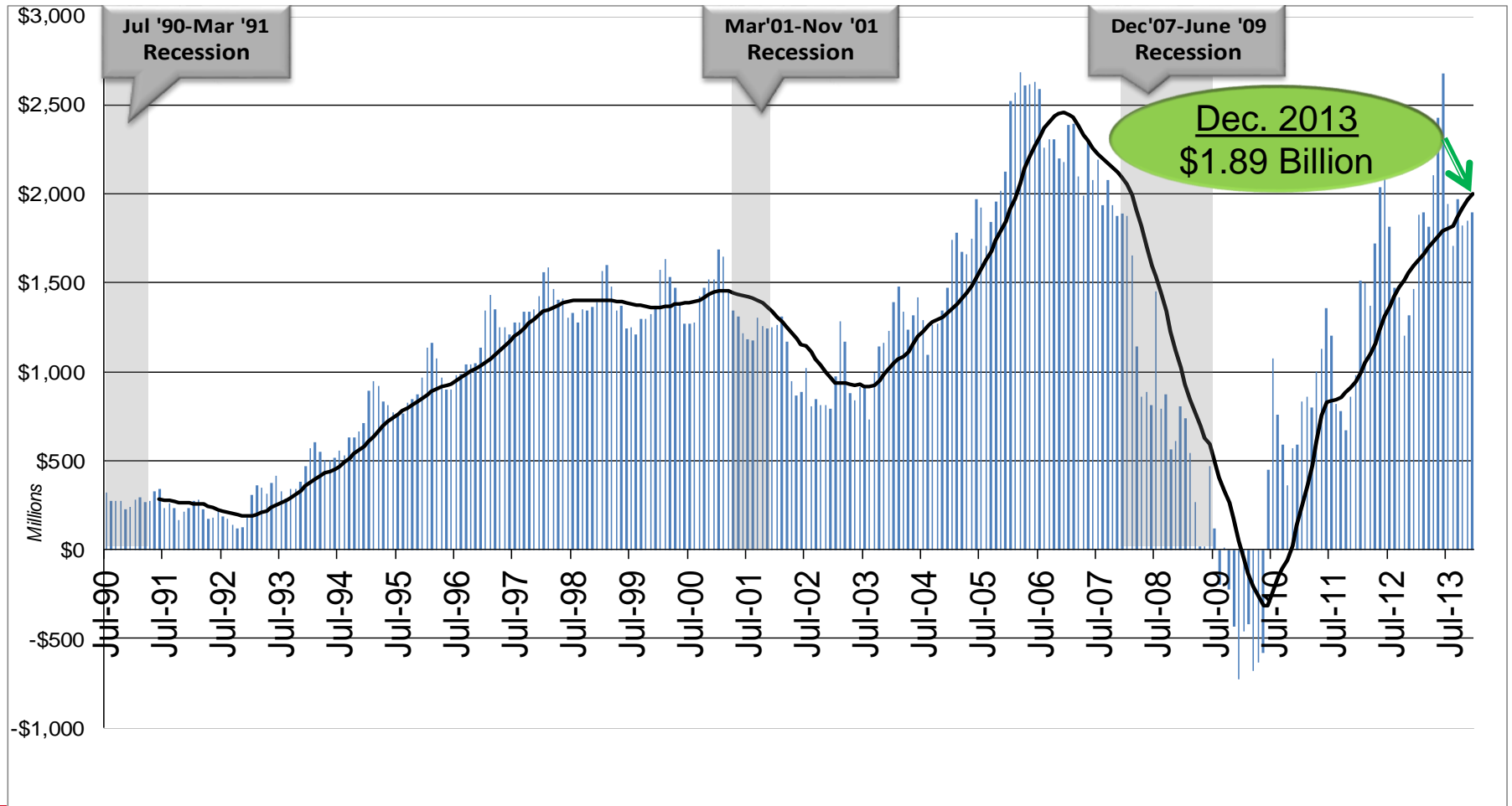
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STATE CASH FLOW

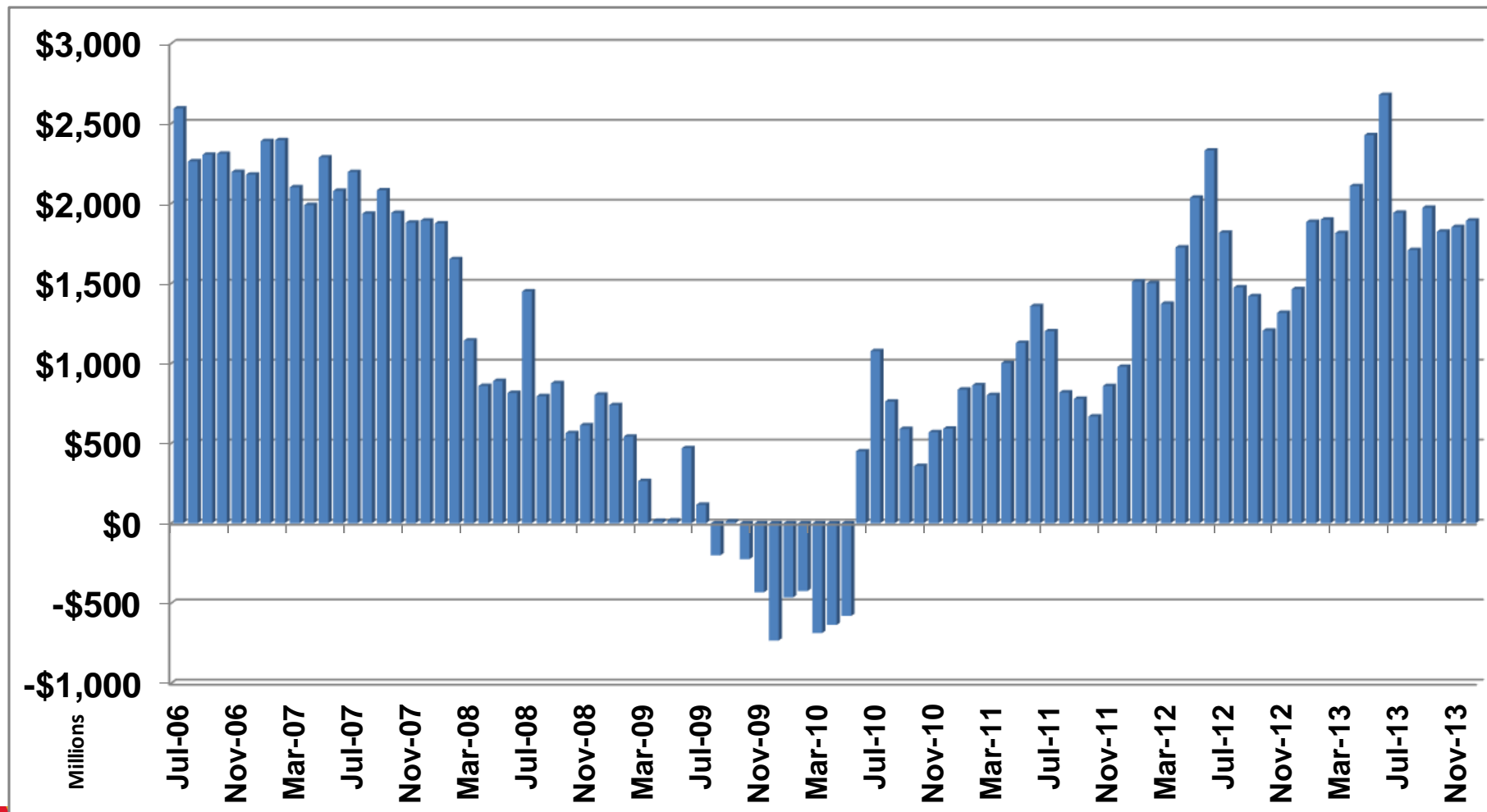
TOTAL OPERATING ACCOUNT AVERAGE MONTHLY BALANCE

Up 29% in First 6 months YOY



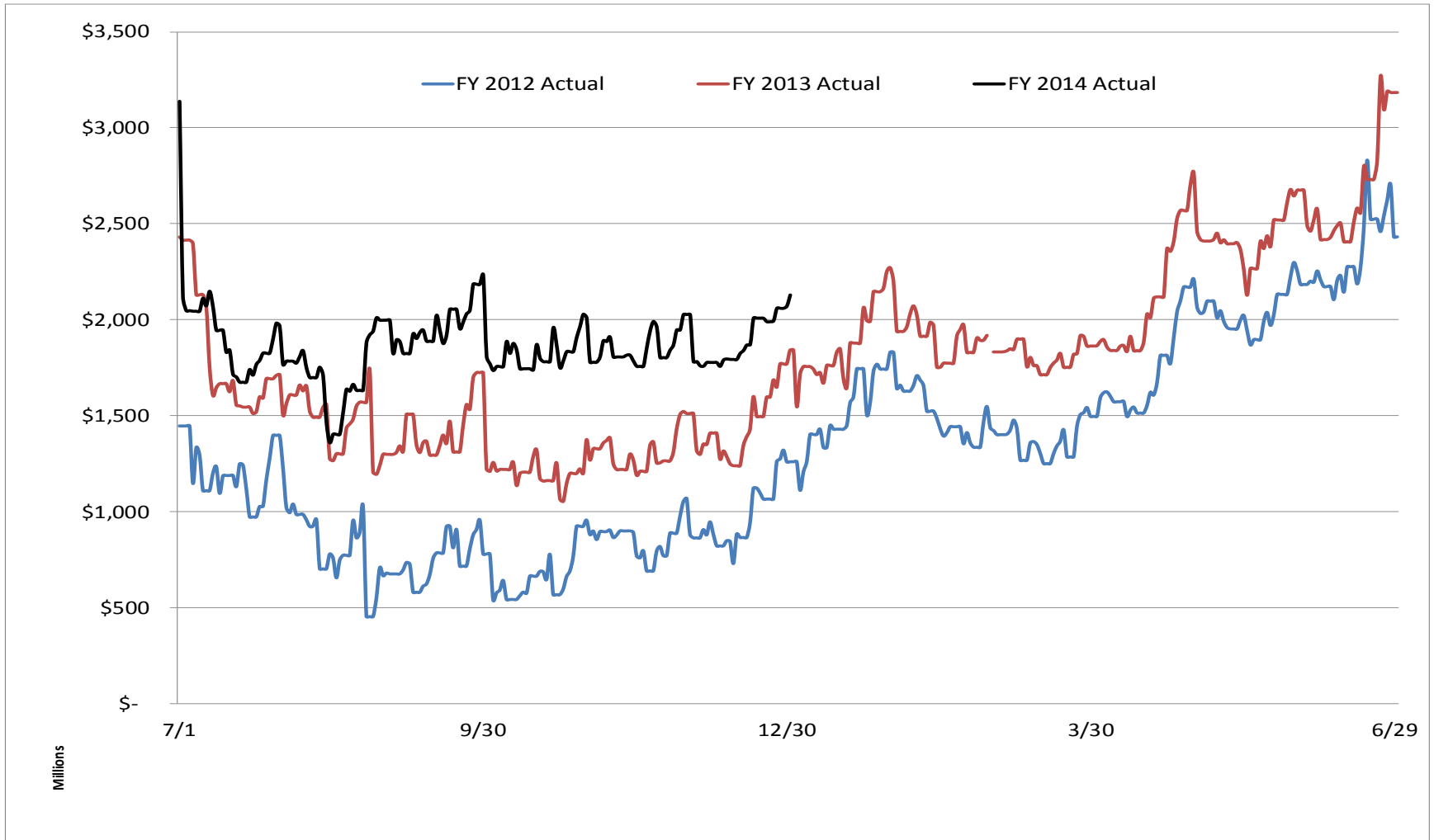
STATE CASH FLOW

State Operating Balance FY 2007 - FY 2014 YTD



STATE CASH FLOW

YTD FY 2014 Cash Flow vs. Last Two Fiscal Years





Guest Presentation:

JOSEPH P. QUINLAN

**MANAGING DIRECTOR & CHIEF MARKET STRATEGIST
U.S. TRUST, BANK OF AMERICA PRIVATE WEALTH
MANAGEMENT**

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QUESTIONS?

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